Committee: Cabinet

Date: 11 December 2017

Subject: Recommendation to award a contract for a replacement PABX and associated telephony services for the Council.

Lead officer: - Mark Humphries, Assistant Director Infrastructure & Transactions

Lead member: - Councillor Mark Allison, Deputy Leader and Cabinet Member for Finance

Contact officer: - Richard Warren, Head of IT Service Delivery

---

RECOMMENDATIONS:

That Cabinet approve the award of a contract to Company D for the provision of a replacement PABX and associated telephony services for a period of 5 years, with an option to extend for a further 2 years, thus giving an overall contract value of £2,077,456.

PURPOSE OF REPORT AND EXECUTIVE SUMMARY

The manufacturers support for the Council's current PABX (Private Automatic Branch Exchange) telephony equipment ends in June 2018, and therefore the hardware and associated infrastructure has to be replaced to ensure that the Council is able to maintain a robust and reliable telephony system.

Following a comprehensive review of the various different telephony options available on the market and having undertaken a detailed analysis of the Councils current and likely future telephony requirements, a technical specification of requirements was written and prices obtained for a replacement solution through a competitive procurement exercise.

After completing a detailed analysis of the tender returns, Company D had the highest moderated score in respect to both price and quality and therefore their tender is recommended for acceptance.

DETAILS

The specialist technical support for the Council's current on premise Philips PABX telephony system will no longer be available from June 2018, and therefore the equipment has to be replaced.

A specialist telecommunications consultant was engaged to manage the project and oversee both the procurement and implementation of the new system.

The project manager is being supported by a wider project delivery team made up of technical specialists from IT Services and departmental representatives from teams that deal with high volumes of telephone calls, including the main Contact Centre.

A comprehensive review of the various different telephony solutions available on the market was undertaken, and this, together with a detailed analysis of the Council's current and likely future telephony requirements, was used to identify the most suitable and cost effective solution.

Given the recent advances made in terms of both mobile and fixed telephone technology and need for the Council to deliver more efficient and cost effective services, the decision was made to move away from our current traditional operating model utilising fixed equipment installed at the Civic centre to a new offsite cloud based solution.

The new cloud based solution will deliver improved availability and flexibility of services whilst also providing cost efficiencies and improved disaster recovery arrangements, should the Civic Centre building ever became unavailable for any reason.

On that basis a market engagement session for potential bidders was arranged to raise awareness of the forthcoming procurement exercise and potential suppliers in lots 5, 6 and 10 of the Crown Commercial Services (CCS) RM1045 framework were invited to submit bids against a set of operational and technical requirements.

Four submissions were received on the due date and details of these are shown in table below.

Supplier	**Bid Price £**	**Initial Ranking**
Company A	1,128,126.00	2
Company B	2,071,154.00	4
Company C	1,020,436.00	1
Company D	1,164,904.00	3

An evaluation panel made up of subject matter experts and representatives from user groups independently evaluated and scored the bids in terms of technology, functionality, cost and quality.

The individual scores, which were weighted on the basis of 40% quality and 60% price, were then moderated by a member of the Council's Commercial Services team to ensure consistency, with the moderated scores as shown in Appendix 1 of this report.

In order to ensure that the bids were assessed in a fair and consistent manner, the detailed technical information contained within each of the bids was analysed to calculate the “actual” operating cost for each of the various different technical solutions.

This detailed analysis provided actual operating costs and on that basis the submissions were assessed and scored in respect to being the Most Economical Advantageous Tender and included elements such as the cost associated with: -

- Maintenance of voice lines required to support some bids.
- Maintenance and support of existing systems being retained in order to support some bids.
- Internal Council resources required to manually port over mobiles from the current provider to new service provider.
- A notional figure of £25,000.00 required for delivering internal user training.
- A notional figure of £35,000.00 to purchase a supply of new headsets to facilitate the operation of Skype for Business.

Supplier	**Bid Price £**	**Actual Operating cost calculated over a 60 month period**	**Adjusted Ranking**
Company A	1,128,126.00	1,558,885	2
Company B	2,071,154.00	2,493,847	4
Company C	1,020,436.00	1,651,891	3
Company D	**1,164,904.00**	**1,558,188**	**1**

The final moderated scores based on the actual operational cost and qualitative assessment for each of the bids are shown in the table below

Bidder	**Quality Score (out of 20 points)**	**Quality Weighting @ 40%**	**Price Scores @ 60%**	**Price Weighting**	**Final Weighted Score**	**Final Ranking**
Company A	11	21	59.97	60	81	2
Company B	12	24	39.74	40	64	4
Company C	12	24	56.62	57	81	2
Company D	**16**	**32**	**60.00**	**60**	**92**	**1**

The bid from Company D offers a fully cloud hosted solution through their product, with the provision of a fully integrated mobile phone service and does not require the Council to retain any of its existing telephony infrastructure.

Like all the other tenders received, the proposal from Company D does retain the Council's existing Liberty Netcall contact centre software solution, however they are the only provider that are able to offer an offsite virtual contact centre solution, which may potentially provide some further efficiency gains and financial savings in the future.

All of the solutions received utilise the Microsoft Skype for Business (SfB) product, however the offer from Company D also offers additional features that the standard Skype for Business product does not include, such as call recording (where appropriate) and operator switchboard services.

Their product will provide the Council with a more cost-effective way to communicate across the business and with external parties and allow staff to collaborate more efficiently from wherever they are working through an intuitive interface, consolidated directory and free calls to other Council employees.

ALTERNATIVE OPTIONS

Potentially we could re-tender the project and specify an on premise solution in order to reduce operating costs, but this would create an additional risk in relation to the delay in the replacement of the existing equipment. This would also be at odds with the Council's wider agreed IT strategy of moving to hosted or cloud based systems in order to reduce operational risks and improving our disaster recovery and business continuity arrangements.

CONSULTATION UNDERTAKEN OR PROPOSED

As part of the wider project planning process, detailed consultation was undertaken with internal users and key stakeholders. This included a number of employee/management engagement sessions and visits to tradeshows and specialist suppliers as part of a wider information and requirements gathering process.

In addition a vendor 'Open Day' was also arranged which was well attended by a number of potential bidders that were interested in responding to the ITT. At the meeting, vendors were given the opportunity to ask questions and seek clarification on the contents of the invitation to tender and the Council's wider strategic direction for both business and telephony systems.

TIMETABLE

The anticipated timescale for completion of the project (subject to approval and agreement with the winning provider) are:-

Procurement Board sign off – October 2017
Obtain Cabinet Approval to let the contract December 2017
Scrutiny and Standstill period - December 2017
Formal award of contract – December 2017
Initial setup and commissioning – January to March 20178
User acceptance testing – March to May 2018
Roll out of new solution – June to December 2018

FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

The cost of the project is based over a 60 month contract period and there is £700,000 of capital funding available within the 2017/18 capital programme for the delivery of the project.

Summary of Financial Implications

Funding required to implement the new system

Capital	£260,018.00
Revenue (per annum)	£259,634.00
Current revenue operating cost for the existing PABX infrastructure	£265,471.00

Overall, this delivers a net revenue saving of approximately £6,000.00 per annum with a potential capital saving of approximately £440,000.00

During the initial scoping meetings with the supplier, we will discuss different financing models to investigate whether there is a possibility to shift costs from revenue to capital.

The capital expenditure covers all implementation, circuits, mobile conversion costs for porting, unlocking, and the provision of headsets for use with Skype for Business.

The revenue expenditure covers software licences, fixed and mobile call charges which have been based on existing volumes.

There is also the requirement to provide Microsoft Office 365 and Azure Active Directory licences, which will be provided through the current Microsoft Enterprise Agreement.

The current operating costs covers existing maintenance charges and fixed and mobile recharges, which vary on monthly basis.

The current operating cost relies on achieving the same level of recharges to offset the budget. We will review the recharging model with Resources once the financing model has been agreed.

LEGAL AND STATUTORY IMPLICATIONS

TBC by SLLP.

HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

None for the purposes of this report.

CRIME AND DISORDER IMPLICATIONS

None for the purposes of this report.

RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

The use of a cloud / hosted solution provides better Disaster Recovery and Business Continuity arrangements, which in turn lowers the risks of disruption and potential loss of service delivery.

APPENDICES

Appendix 1 – Evaluation matrix of moderated scores.
Appendix 2 – Exempt for public notice due to commercial information

BACKGROUND PAPERS

None for the purposes of this report.

Appendix 1 – Quality moderated scores

				Company A		Company B		Company C		Company D	
Number	Method Statement	Question	Weighting (40%)	Score (0-5)	Weighted Score	Score (0-5)	Weighted Score	Score (0-5)	Weighted Score	Score (0-5)	Weighted Score
1	Core Requirements	Can you please explain how your solution will address the core requirements of fixed telephony, contact centre integration or replacement, mobile working technology and mobile phone integration? Can you also please provide information on any partners or sub-contractors that you will use to provide these services?	#####	2	4.00	3	6.00	3	6.00	4	8.00
2	Resilience and Redundancy	Can you please explain your solutions resilience and redundancy?	15	2	6.00	3	9.00	3	9.00	4	12.00
3	Implementation Services	Can you please briefly explain what your approach/strategy will be for implementing your solution with no/minimum disruption to users? Please highlight what resources you would expect Merton Council to provide, both technical and non-technical.	10	4	8.00	3	6.00	3	6.00	4	8.00
4	SLA Options	Can you please give a brief description of your different SLA options and how they are managed to improve your solution's performance from day one?	5	3	3.00	3	3.00	3	3.00	4	4.00
			Total Scores	**11**	**21.00**	**12**	**24.00**	**12**	**24.00**	16	32.00